



Why a Unanimous Vote?

Posted by **Pierluigi Oliverio** on Monday, March 21, 2011

The vote on the convention center has been covered extensively, but a resident I spoke to asked me to please share my view on San Jose Inside. As we know, the Council vote was unanimous in supporting the renovation and expansion. Although I cannot speak for my colleagues, I would say there were four major constituencies who advocated for the renovation and expansion of the convention center.

1. Building Trades & Building Industry. Public works projects pay prevailing wage and will provide construction jobs for the next two years in an industry that suffers from 30 percent unemployment. In addition, as the economy is slow, the cost to build is lower.
2. Local hotels have taxed themselves to pay for the bonds that will pay for the renovation and expansion. The hotels did not tax themselves to pay for parks and code enforcement. Hotels want more room nights, which is the key to their success. The hotel tax makes the bond payments, not the general fund.
3. Team San Jose wants a convention center that is the best it can be to market its usage and close deals on convention and event business.
4. The Downtown Association is an advocate for investment and activity in our Downtown. Whether you value our Downtown or not, a substantial investment has been made to create a city center. The convention center drives activity and business in our Downtown.

If you think about it, convention centers are located globally in major cities. In most cases, they are loss leaders to bring travelers and spending to their respective town. Or you may feel that convention centers are a subsidy to the hotel industry or a subsidy to adjacent private property owners or a subsidy to airports or a subsidy to unions or all of the above. The global convention traveler generates tax revenue with hotel taxes, sales taxes and airport taxes for the respective city, and in turn creates jobs for the hotel, convention, restaurant, airport, taxi and retail worker. In very few cases, such as Las Vegas, convention centers are profitable.

Personally, I would have liked to have had the Council study selling the convention center to a private entity, but there is zero chance of getting that passed on the Council and I pick my battles.

So—we are in the convention business and therefore responsible for upkeep to the existing facility. How do we pay for it? The reality is that if the renovation was not covered by bonds paid for by the hotels it would come up out of the general fund. So replacing the HVAC system and other core improvements (\$46 million) would have fallen on the general fund.

Another factor in the decision was the design-build process. When it is said the expansion will cost \$63 million, it will really cost \$63 million. As design-build says, “here is my budget,” thus build it for this price or else, since I do not have any more money. This is the same process that was used at the airport and which was delivered on time and on budget. Bill Sherry, who headed that endeavor at the airport, will be overseeing this project as well. Mr. Sherry, now in charge of Team San Jose, is well respected and the Council is confident in his capabilities.

I am not bullish about all convention centers due to technology like web meetings and the modern day hassles of travel. However, I would not have supported this renovation and expansion had the hotels not taxed themselves. The hotels have been collecting a 4 percent tax since July 2009 that will cover the bond payments. In case the 4 percent tax falls short there will be an additional 1 percent tax collected from the hotels.

There is risk. For example, if we had a major earthquake that destroyed a Downtown hotel that then was unable to book rooms for several years we would have risk to the general fund. However I am guessing if that earthquake comes to pass we will face larger issues like looking for canned food.

The only public testimony at the council meeting came from a retired city employee who is on the executive committee of the San Jose Retired Employees Association. His comments, and those that were sent to Council, were in favor of renovation and expansion, stating that now is the time. I understand there will be criticism of strategic decisions from some but at least let there be criticism with a 360-degree view.

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